

**MINUTES OF THE
TAX REVIEW COMMISSION**

Thursday, November 9, 2000 – 11:30 a.m. – Room 405 State Capitol

Members Present:

Mr. Gary Cornia, Chair
Mr. James B. Lee, Vice-Chair
Mr. Mark Buchi
Rep. Judy Ann Buffmire
Rep. Greg J. Curtis
Mr. Robert M. Graham
Sen. Lyle W. Hillyard
Comm. Bruce Johnson
Ms. Bonnie Miller
Ms. Dorothy P. Owen
Sen. Millie M. Peterson
Mr. Keith Prescott

Members Excused:

Ms. Anne Clark

Members Absent:

Judge Jon Memmott

Staff Present:

Mr. Bill Asplund
Assistant Director
Ms. Rebecca L. Rockwell
Associate General Counsel
Ms. Audrey Wendel
Legislative Secretary

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

1. Call to Order – Vice-Chair Lee called the meeting to order at 12:00 p.m. and welcomed members of the Tax Review Commission (TRC).

2. Approval of the October 13, 2000 Minutes -

MOTION: Chair Cornia moved to approve the minutes of the October 13, 2000 meeting. The motion passed unanimously. Mr. Buchi, Rep. Curtis, Sen. Peterson, and Mr. Prescott were absent for the vote.

3. Individual Income Tax Study and Proposals – Ms. Dorothy Owen discussed the Proposal for Improving Tax Burden Equity. She referred to a handout in the packet “A Proposal for Improving Tax Burden Equity (10/30/2000).” Staff distributed draft legislation “Individual Income Tax - Bracket Adjustments” and discussed the legislation. The staff then distributed and discussed draft legislation “State Earned Income Tax Credit.”

MOTION: Ms. Owen moved to favorably recommend the draft bill “State Earned Income Tax Credit” to the Legislature. No action was taken by the TRC.

Ms. Rockwell distributed four handouts which she individually discussed. She first discussed the handout “When is an individual required to pay individual income taxes under federal law and under the proposed legislation?” and explained that this handout clarifies what the proposed legislation will cover. She then discussed the draft legislation “Individual Income Tax Relief for Low-Income Individuals.”

Sen. Hillyard asked about the possibility of providing low-income individuals, such as college students, with the option of filing less-inclusive tax return forms to ensure a quick and easy tax refund. In answer to Sen. Hillyard's question, Ms. Rockwell directed the TRC to the handout "Providing Individual Income Tax Relief for Low-Income Individuals." She said that the legislation does exempt low-income individuals from being required to pay individual income taxes, but does not exempt them from filing. She also referred to the handout "Providing Individual Income Tax Relief to Low-Income Individuals: Policy Objectives and Examples of Policy Issues" and discussed policy issues for the TRC to consider in providing individual income tax relief to low-income individuals.

Ms. Rockwell moved to the last handout "Who Must File an Individual Income Tax Return under State and Federal Law?" She discussed the differences between the state and federal requirements for filing returns. She added that Utah State Tax Commission (Tax Commission) practices may not be consistent with the requirements of Utah Code Ann § 59-10-105. Comm. Johnson agreed that Tax Commission practices are inconsistent with Utah Code Ann § 59-10-105.

Mr. Prescott suggested that the brackets be broadened. Comm. Johnson said that the brackets could be broadened but that this would result in a much larger fiscal note. Mr. Greg Fredde, Utah Taxpayers Association, commented that increasing tax rates for taxpayers in the upper brackets as a way to offset the fiscal impact of bracket adjustments may cause people to choose to move out of state, resulting in revenue losses for Utah.

Sen. Peterson said that the Utah Advisory Council on Intergovernmental Relations has discussed recommending that a two-year task force be organized to look at the entire tax system and make recommendations to the TRC.

MOTION: Ms. Owen moved to recommend the proposed legislation, "Individual Income Tax Relief for Low-Income Individuals" to the Legislature. The motion passed with Chair Cornia and Comm. Johnson voting in opposition.

Sen. Hillyard asked Ms. Rockwell to research preparing legislation that will exempt an individual from filing a state individual income tax return if the individual is not required to pay state individual income taxes. Ms. Rockwell said she would look into it. Comm. Johnson said that the Tax Commission will explore that issue as well.

Ms. Owen asked staff to prepare draft legislation to establish a state scaled earned income tax credit. Sen. Peterson spoke in favor of this. Chair Cornia suggested that the entire TRC discuss the draft legislation before it is presented to a legislative sponsor.

Janis Dubno, Utah Issues, said that 15 states have approved a state earned income tax credit. She expressed her support of the proposed state earned income tax credit. Chair Cornia expressed concern that schools will be losing money, and that educational funds should not be cut in order to get people out of poverty. Mr. Prescott pointed out that a difficult situation may arise if school funds are taken away and the economy subsequently declines. Comm. Johnson pointed out that the legislation "Individual Income Tax Relief for Low-Income Individuals" is not the same as a refundable income tax credit. Mr. Graham said that taking funds from education is a problem and should not be done.

MOTION: Ms. Owen moved that draft legislation be prepared to establish a state scaled earned income tax credit. The motion passed with Chair Cornia, Vice-Chair Lee, Rep. Buffmire, Ms. Miller, Ms. Owen, and Sen. Peterson voting in the affirmative and Rep. Curtis, Sen. Hillyard, Mr. Graham, Mr. Prescott, and Comm. Johnson voting in opposition.

Committee discussion followed the motion with the suggestion that this bill be prepared for the 2002 General Session because of time restraints.

MOTION: Chair Cornia moved that this proposal be made a priority for the 2002 General Session. The motion passed unanimously.

Ms. Rockwell reviewed the revised draft legislation "Individual Income Tax - Bracket Adjustments." She explained that the proposed rounding in the legislation created a marriage tax penalty and so the language was changed to create brackets for married individuals and then uses these brackets to create the single brackets at 50% of the married brackets.

MOTION: Chair Cornia moved to approve the revised proposed legislation. The motion passed unanimously with Rep. Curtis, Mr. Prescott, and Sen. Peterson absent for the vote.

4. Sales and Use Tax Simplification – Mr. Bill Asplund distributed a handout "Streamlined Sales Tax Project" and explained that a majority of states are now participating in the Streamlined Sales Tax Project. He discussed the projected time line for when model legislation will be available for the states to consider during their respective legislative sessions.

Mr. Asplund distributed a handout "Preliminary Report [DRAFT]" from which he summarized an outline of a TRC report to the Governor and the Legislature required by an Executive Order of the Governor dated January 19, 2000. The TRC discussed their standing on the Streamlined Sales Tax Project. Rep. Buffmire suggested that one of the headings within the handout, "Position of the Commission" be changed to "Commission Discussion Statements." Mr. Asplund agreed that that would be a good change.

MOTION: Chair Cornia moved to appoint an Executive Committee comprised of Ms. Miller, Comm. Johnson, Mr. Lee and Mr. Cornia to review subsequent drafts of the report to the Governor and the Legislature. The motion passed unanimously.

5. **Other Business** – The next TRC meeting will be held on January 10, 2001, at 1:00 p.m.
6. **Adjournment** – Chair Lee adjourned the meeting at 2:00 p.m.